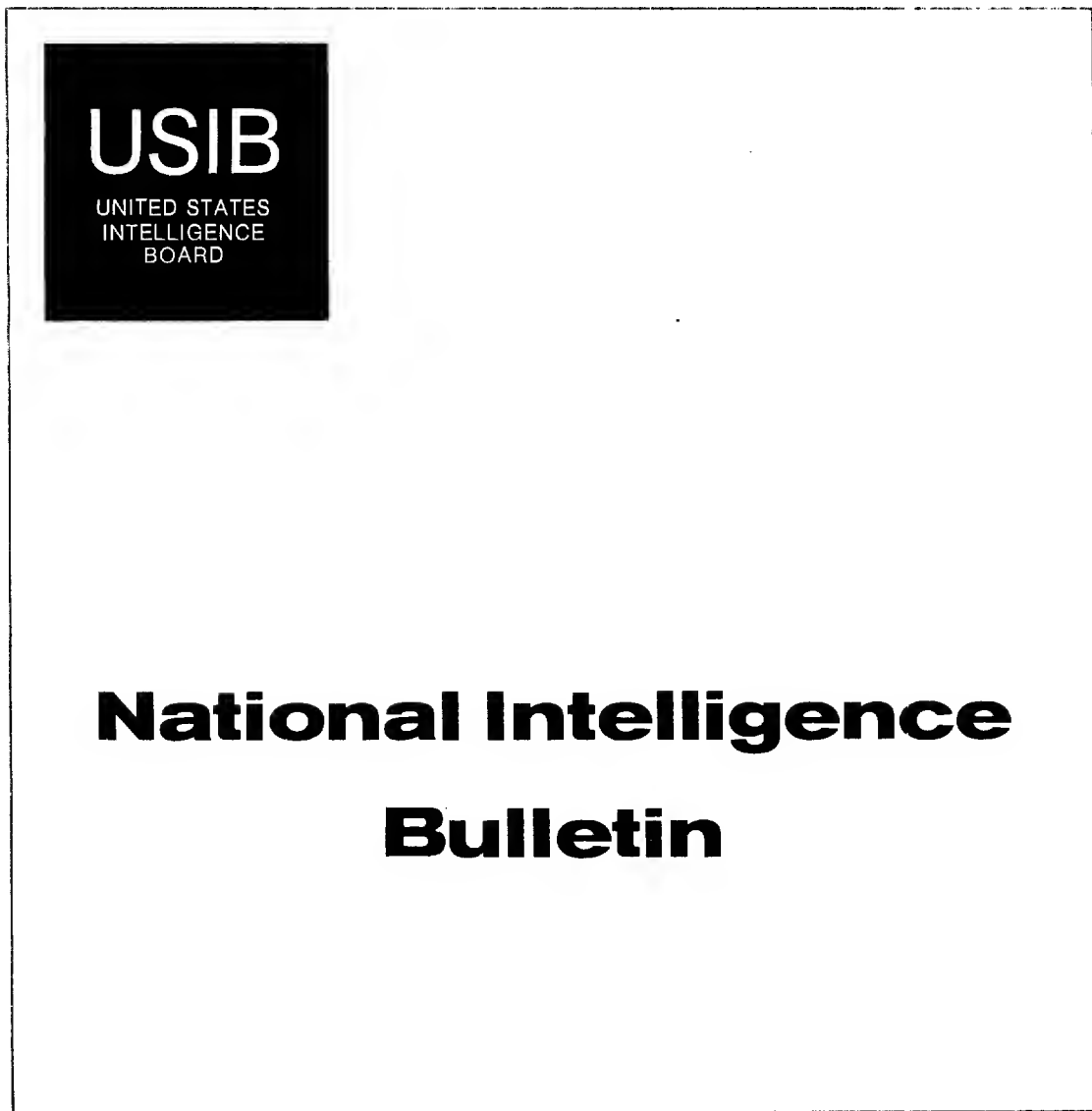


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TURKEY

President Koruturk accepted Prime Minister Ecevit's resignation yesterday and has asked him to continue in office until a new government can be formed.

The President has begun consulting with political party heads. Once this process is completed, Koruturk will, in all likelihood, appoint Ecevit to form another government. Ecevit's Republican People's Party has the largest representation in the 450-seat parliament, although it falls 41 votes short of a majority.

Ecevit has already discussed with the Democratic Party leader the possibility of forming a coalition. Ecevit told US Ambassador Macomber that a coalition with the Democrats was "likely, although not certain." Democratic Party leaders have indicated that they favor Ecevit's plan for holding early elections, and if they agree to form a coalition, Ecevit would have a narrow majority in the parliament. Ecevit said he would know more about the prospects for a coalition and assembly approval for December elections after Democratic Party leader Bozbeyli had taken a sounding of his party.

If Ecevit fails to organize a coalition that would give him a majority, the President could ask him to try to lead a minority government, or he could ask another political leader to form a government. In a press conference yesterday, Ecevit's former coalition partner, National Salvation Party leader Erbakan, said that a rightist coalition composed of his party, the Justice Party, and the Democratic Party was a strong possibility. The rightist Democrats would be more comfortable ideologically with the Justice Party than with the moderately leftist Ecevit, but after the elections last October they refused to join such an alliance unless Demirel stepped down as Justice Party leader.

Ecevit told Ambassador Macomber that it might take three to four weeks to form a new government, but assured him that this would not inhibit Turkish policy

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regarding Cyprus. He said that even the matter of making concessions in order to reach a political settlement could be handled during an election campaign.

There seems little doubt, however, that Ecevit's leadership on the Cyprus issue will be affected and that, during a campaign, concessions would be harder to make. Even the Greeks have concluded that Cyprus will take a back seat to politics in Turkey now, and the Karamanlis government reportedly is even more eager than before to hold national elections prior to the end of the year.

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OAS

The resolution to reconsider sanctions against Cuba will be discussed today at a meeting of the permanent council. Practically no opposition to raising the question has developed.

A debate is likely to ensue concerning the terms of reference drafted by the three foreign ministers sponsoring the motion. The resolution offered by Costa Rica, Venezuela, and Colombia evades the issue of Cuban subversion, presenting the case in terms of "international political circumstances." Colombia, despite its desire to open diplomatic lines to Cuba, is not convinced that the Castro regime has terminated its support for revolutionaries abroad and does not wish to address that problem. Others fear that Castro will react to any new OAS effort to hold him up to judgment and set back all progress toward normalization of Cuba's place in the hemisphere.

Not all the OAS delegates are ready to buy this finesse. Brazil, Chile, Uruguay, and Bolivia have all noted the draft's failure to raise the question of Cuban subversion and will present amendments. Their success will depend on what manner of voting is adopted. The original sponsors are likely to try some procedural legerdemain to vote down the amendments.

Whatever terms of reference are finally endorsed, the vote to examine the issue seems assured. A foreign ministers' meeting to take the final tally for and against continuing the sanctions will probably be scheduled for some time in November.

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EC

The informal six-hour meeting of EC heads of government in Paris last Saturday ranged over a number of the major issues preoccupying the Community and restored some momentum after the summer break in activity. The Nine now expect to hold such informal meetings three or four times a year.

A prime topic was the need to streamline EC institutions. Tentative agreement seems to have been reached to establish a mobile secretariat for the Nine's political consultations that would provide staff support to the country holding the EC presidency. The Italians note that a roving secretariat would lack the continuity furnished by a central permanent base, but the decision is nevertheless important because it breaks a long impasse. The French and the other EC members have disagreed for some years over whether a secretariat should be located in Paris or Brussels.

Discussion of the always controversial common agricultural policy took up considerable time at the Paris meeting, but apparently resulted in no firm decision on either long- or short-term policy. Chancellor Schmidt recommended that unilateral national measures affecting agriculture should be abolished and proposed serious stocktaking of the whole policy. Further exchanges among the Nine on the common agricultural policy are continuing at a three-day meeting of the EC agricultural ministers that began Tuesday in Brussels. The European Parliament, with an eye to farmer unrest, recommended in a special session on Monday that the ministers should increase agricultural support prices by 6 percent, a move that would discourage those EC members who are particularly concerned about inflation.

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The perennially difficult French attitude toward EC cooperation was submerged at the Paris meeting, where President Giscard sought the advice of other EC members on the chances for a successful full-fledged summit late this year. On Monday, however, at a meeting of EC finance ministers, French Finance Minister Fourcade presented sweeping proposals without prior consultation with the Commission, and afterwards briefed the press exclusively on French views, which he couched in grandiose terms. This revived memories of the De Gaulle era, according to Brussels officials. There is general recognition that neither the traditional French attitudes nor other EC problems are subject to quick solutions.

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UK

On Wednesday, British Prime Minister Harold Wilson set the national election date for October 10. At this point, the Labor government is given a slight edge by most public opinion polls.

The long-awaited announcement followed publication of the Labor, Conservative, and Liberal party manifestos. Mud-slinging accusations are conspicuously absent from the manifestos. The campaign tone is somber as all three parties focus on Britain's serious economic problems.

Labor's domestic program offers few surprises. It calls for redistribution of national wealth and expanded state ownership of industry, but offers no proposals for tackling inflation beyond the "social contract" concept of voluntary wage and price control and the party's presumed ability to secure industrial peace. Pointing out the inherent weakness in a coalition government, the Labor Party stresses the need for strong, decisive policies to cope with the nation's economic ills. Wilson continues to rule out participation in a coalition government.

The Tory manifesto leaves the coalition question open and, in an appeal for national unity, pledges consultation with other party leaders if a Conservative government is formed.

Conservatives promise increased pension benefits, government assistance in training union officers, and greater recognition of strikers' rights. The Tory anti-inflation program includes control of the money supply, as urged by shadow Home Secretary Sir Keith Joseph, as well as restraint in public spending and in wage and price demands.

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Campaigning on a note of realism, the Liberals have agreed to consider joining in a coalition government. Their economic program admits that the government will need to reinstitute unpopular mandatory wage and price controls to curb inflation. But Liberals urge the adoption of such social programs as the redistribution of national wealth, a review of electoral processes, and introduction of power-sharing in industry before statutory wage and price controls are applied.

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UK

A severe shortage of sugar has led to panic hoarding and voluntary rationing of available stocks by dealers. Tight supplies worldwide and a bad sugar beet crop at home have aggravated British sugar problems, but British entry into the EC, which required that preferential agreements with Commonwealth countries be phased out, accounts for much of the shortage.

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Prior to entering the EC, the UK relied on a Commonwealth Sugar Agreement, which provided fixed import quotas at guaranteed prices, to meet two thirds of domestic consumption. The developing countries of the Commonwealth provided 1.4 million tons annually, while Australia and South Africa shipped another 300,000 tons under the quota system.

Since EC policy provides subsidies to EC sugar producers and limits sugar imports, Britain is obliged to phase out its import quotas by the end of this year. With only flimsy assurances of long-term EC contracts after this year, Britain's traditional suppliers have been diverting their sugar to world markets, where it commands prices up to four times higher than the guaranteed British price.

The possibility that the US will suspend its import quotas before the end of 1974 has heightened British worries of further diversions of Commonwealth sugar. A poor sugar beet harvest at home will cost the UK an additional 200,000 tons of sugar this year, boosting the total shortfall in supplies to almost 20 percent of annual consumption.

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The British are prepared to challenge the EC agreements and re-establish traditional trade agreements, if necessary, to get enough sugar to satisfy British needs. London is considering signing a long-term contract at fixed prices with Australia. This move is to be discussed at the special meeting of EC agricultural ministers now under way in Brussels. [REDACTED]

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**BOLIVIA-USSR**

Bolivian President Banzer, apparently disappointed by the US response to his requests for military equipment, is looking with greater interest at a Soviet arms offer made earlier this year. [REDACTED]

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[REDACTED] Banzer might use a Soviet offer as additional pressure on the US. However, one factor that may prompt Moscow to act cautiously in approving an arms sale to Bolivia is the effect such a move might have on Peru.

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[REDACTED]

Spurred by the mounting tension between neighboring Chile and Peru, and the arms buildup by those countries, La Paz has been seeking to upgrade its ground force inventories. Bolivia's ground forces equipment presently consists of 10 US M3A1 tanks received from Venezuela earlier this year, 53 armored vehicles, and 24 75-mm. howitzers.

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EC - ARAB STATES

During EC Commissioner Cheysson's visit to Cairo early this month, the Egyptians asked for a general cooperation agreement that would go well beyond the limited preferential trade agreement now in force. Egypt wants to be included in the EC's Mediterranean policy and to negotiate a preferential agreement along the lines of the arrangements the EC is working on with the Maghreb, Malta, Spain, and Israel.

Cheysson noted Egypt's strong interest in industrial cooperation with Europe. He believes that some mechanism will be needed to provide for an exchange of information in this field and for effective consultation between the EC and Egypt. Otherwise, overproduction and market flooding in particular products might well lead to political backlash and protectionism.

Cheysson wants to have negotiations with the Maghreb, Malta, Spain, and Israel well in hand before beginning formal talks with Egypt and with Syria, Jordan, and Lebanon as well. He believes this condition will be met soon, and that serious negotiations can begin in early 1975. The negotiations would be keyed toward preferential economic arrangements like the other agreements under the Mediterranean policy, rather than formal association agreements such as those with Greece and Turkey.

Negotiations for market access to the EC by Egypt, Syria, Jordan, and Lebanon will receive a boost from the EC-Arab dialogue, which is intended to provide a broad framework for relations between Western Europe and the Arab states. In the case of the major Arab oil producers, this multilateral effort may be overshadowed by independent jockeying for long-term oil supplies and for recycled petrodollars. The next official step in the dialogue is a meeting of representatives of the EC and Arab League presidencies with EC Commission and Arab League secretariat officials in Cairo in mid-October to prepare for a broader general committee meeting in November, which the nine EC countries and many of the 20 members of

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the Arab League would attend. To create a favorable atmosphere for continuation of the dialogue, French Foreign Minister Sauvagnargues has invited the foreign ministers of the Nine and their Arab counterparts to a social luncheon in New York on September 25 in honor of new UN Assembly President Boutefflika. [redacted]

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**FOR THE RECORD**

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China: Peking is preparing to join major international civil aviation organizations within the next few months. For some time, China has been upgrading ground navigation equipment at major airports to meet International Civil Aviation Organization standards. The Boeing 707s recently acquired by China are equipped with instrumentation specified by ICAO. Additional equipment has been purchased for the Tridents already in the Chinese inventory. China also may join the International Air Transport Association, a commercial organization primarily concerned with rate setting for international air services. In both cases, the withdrawal of Taiwan from these organizations will facilitate China's membership. [redacted]

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